



MEETING DATE: 08/04/08
ITEM NO. 1

COUNCIL AGENDA REPORT

DATE: July 24, 2008
TO: MAYOR AND TOWN COUNCIL
FROM: LINDA SPEICHER, TOWN TREASURER *AS*
SUBJECT: TREASURER'S REPORT FOR APRIL, MAY, AND JUNE 2008

RECOMMENDATION:

Accept reports as attached.

DISCUSSION:

Attached for your review and acceptance are the Treasurer's reports for the months of April, May and June 2008.

Prime has remained steady since the end of April at 5.0%. Other rates have not been as steady, as the financial markets continue to react to economic news on a day to day basis. Overall, the Town saw its average yield on its portfolio drop from 4.1% at the end of March to 3.65% as of the end of June. This is mostly due to higher yielding investments maturing and being replaced with investments at current market yields.

We have continued to monitor the investments in Fannie Mae and Freddie Mac agency notes, due to the recent worries in the financial markets. Congress has worked on a housing bill this week and is expected to send it to the President early next week. The bill includes sections intended to help Fannie and Freddie with their access to necessary funds, as well as looking at more oversight of both agencies. MBIA, the Town's advisors, as well as most financial analysts, continue to believe the investments in the two agency's senior debt are of the highest quality and should be held. As of June 30 investments in these agency's notes was less than 9% of the Town's overall portfolio, and approximately 16% of the investments held at Union Bank and managed by MBIA. It is impossible to tell how much of the funds held by LAIF for the Town are invested in these two agencies, however LAIF continues to invest in them, as well as all other US Government agencies and Treasuries. As investments mature over the next few months they will be reinvested either in other agencies (non Freddie or Fannie) or treasuries.

PREPARED BY: Linda L. Speicher, Town Treasurer *L.S.*

Reviewed by: *JS* Town Manager ☐ Assistant Town Manager *OK* Town Attorney
 Clerk *JS* Finance ☐ Community Development Revised: 7/25/08 4:57 pm
Distribution: Town Council; Town Manager; Finance Director

ENVIRONMENTAL ASSESSMENT:

Is not a project defined under CEQA, and no further action is required.

FISCAL IMPACT: None

Attachments: Treasurer's report dated July 24, 2008. Letter from MBIA dated 7/21/08.



July 21, 2008

Ms. Linda Speicher, Town Treasurer
Town of Los Gatos
P.O. Box 949
Los Gatos, CA 95031-0949

1700 Broadway, Suite 2050
Denver, Colorado 80290
888-637-2662
303-860-1100
www.mbia.com

Dear Ms. Speicher:

It has been nearly a year now that the markets have been mired by housing weakness, mortgage delinquencies, and reduced liquidity. Asset-backed commercial paper and defaults in money market funds roiled the markets last summer. Attention moved from relatively unknown financial names to some of the largest brokerage firms in the country. Most recently, the government sponsored enterprises have come under focused market scrutiny, particularly Fannie Mae and Freddie Mac.

Fannie Mae, or FNMA, is the Federal National Mortgage Association and Freddie Mac, or FHLMC, is the Federal Home Loan Mortgage Corporation. Both are government sponsored enterprises, or GSEs. These institutions were created by the U.S. government to help meet the national commitment to home ownership by ensuring a reliable supply of mortgage funding throughout the country. The senior debt of Fannie Mae and Freddie Mac carries the triple-A rating by Moody's and Standard and Poor's because of the implied guarantee that the U.S. government would support these institutions, if necessary. The market is now questioning the certainty of this implied guarantee as investors are concerned that mounting mortgage losses may be too large for the institutions to absorb.


To assure confidence in the instruments issued by Fannie Mae and Freddie Mac, the Federal Reserve has granted these issuers immediate access to the discount window. This would provide an important source of liquidity for Fannie Mae and Freddie Mac, if necessary. Also, the U.S. Treasury is seeking approval to meaningfully increase the lines of credit the issuers have with the government. The Treasury has also requested the authority to purchase the debt and equity of Fannie Mae and Freddie Mac.

Congress has been considering the organization of the GSE issuers for years, and any ultimate change to these firms' structure or relationship with the government remains to be determined. What has been illustrated, however, is the government's current and on-going commitment to the organizations. Fannie Mae and Freddie Mac own or guarantee 80 percent of all mortgages issued so far in 2008. Keeping these institutions functioning is imperative as long as home ownership is a priority of public policy.

MBIA Asset Management recognizes the increased headline risk associated with these firms; clearly the fundamentals do not favor housing related financials at this time. However, given the dominant role of these firms with respect to public policy and the housing market, they will remain critical to a stronger economy in the future. The recent support of the U.S. Treasury and the Federal Reserve illustrates the government's commitment to these institutions. MBIA Asset Management recommends that our clients continue to purchase and hold the senior debt of these issuers as part of a diversified portfolio designed to achieve the objectives of safety, liquidity and yield.

If you any questions about this information, please do not hesitate to contact us.

Sincerely,

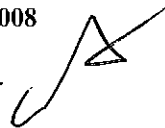

Mary Donovan, CFA
Vice President

Meeting date: August 4, 2008

Item No:

**Town of Los Gatos
Treasurer's Report
for the month ended
April 30, 2008**

**Submitted July 24, 2008
by
Linda L. Speicher**

A handwritten signature in black ink, appearing to be 'L. Speicher', written over the printed name.

Distribution:

Town Clerk
Town Manager
Town Council

Town of Los Gatos
Summary Investment Information
April 30, 2008

Weighted Average Portfolio Yield: **3.95%** **Weighted Average Maturity (days)** **501**

	<u>This Month</u>	<u>Last Month</u>	<u>One year ago</u>
Portfolio Balance	\$76,520,381	\$72,901,812	\$70,970,263

Benchmarks/ References:

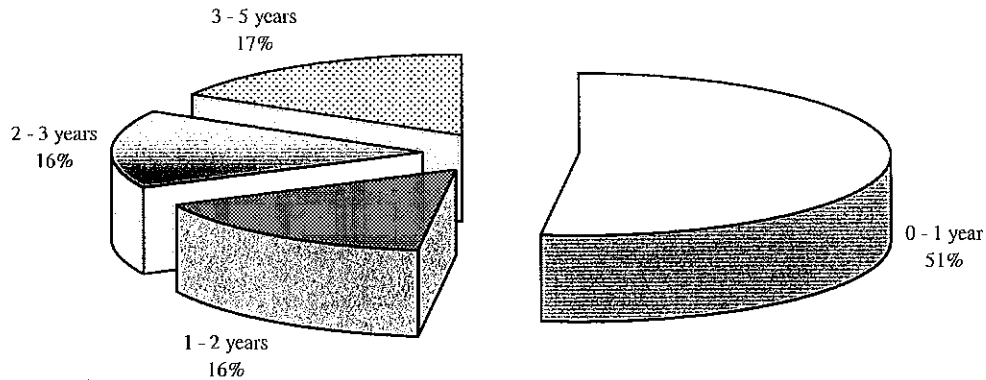
Town's Average Yield	3.95%	4.10%	4.68%
LAIF Yield for month	3.40%	3.78%	5.22%
3 mo. Treasury	1.34%	1.22%	4.92%
6 mo. Treasury	1.72%	1.58%	5.02%
2 yr. Treasury	2.23%	1.76%	4.61%
5 yr. Treasury (most recent)	3.16%	2.60%	4.58%
Prime rate	5.00%	5.25%	8.25%

Most recent auctions of

Freddie Mac or Fannie Mae Reference Notes:

3 yr. Freddie Mac (04/11/08))	2.80%
2 yr. Fannie Mac (04/11/08)	2.46%

Portfolio Maturity Profile



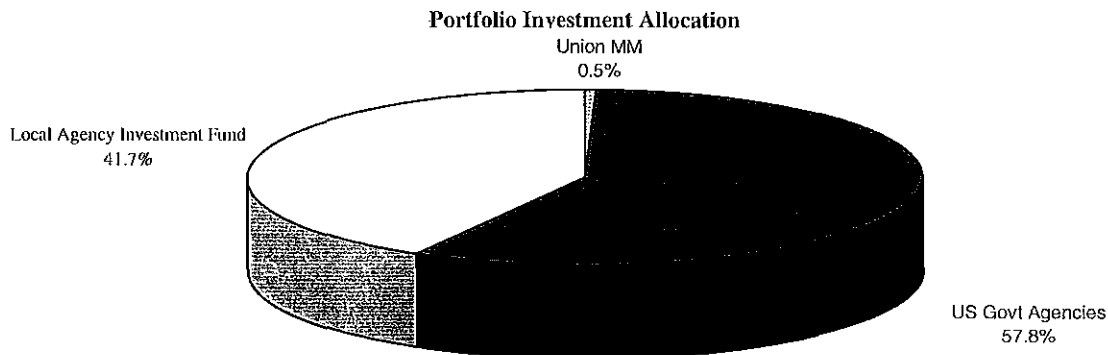
Compliance: The Town's investments are in compliance with the Town's investment policy dated November 1, 2006 and also in compliance with the requirements of Section 53601 of the California State Code. Based on the information available, the Town has sufficient funds to meet the cash demands for the next six months.

Town of Los Gatos
Portfolio Allocation & Treasurer's Fund Balances
April 30, 2008

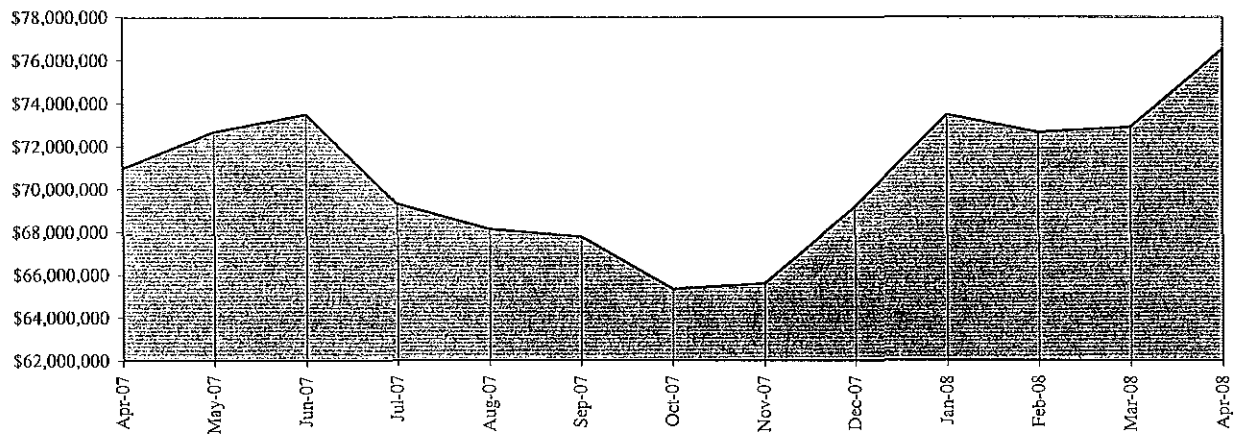
	<u>Month</u>	<u>YTD</u>
Fund Balances - Beginning of Month/Period	\$72,901,811.89	\$73,499,683.31
Receipts	5,982,814.53	35,826,191.71
Disbursements	(2,364,245.50)	(32,805,494.10)
Fund Balances - End of Month/Period	<u>\$76,520,380.92</u>	<u>\$76,520,380.92</u>

Portfolio Allocation:

Union MM	\$327,011.83
US Govt Agencies	41,318,494.65
Local Agency Investment Fund	<u>29,846,498.91</u>
Subtotal - Investments	71,492,005.39
Reconciled Demand Deposit Balances	<u>5,028,375.53</u>
Total Treasurer's Fund	<u>\$76,520,380.92</u>



Treasurer's Fund Balances



Town of Los Gatos
Non-Treasury Restricted Fund Balances
April 30, 2008

	<u>Previous Balance</u>	<u>Deposits</u>	<u>Interest</u>	<u>Withdrawals</u>	<u>Ending Balance</u>	
Non-Treasury Funds:						
Downtown Parking District 12/20/02	\$263,791.01		\$1,010.83		\$264,801.84	Note 1
Certificates of Participation Reserve Fund (Lot 4)	255,890.97		280.36		256,171.33	Note 2
Cert. of Participation Lease Payment Fund (Lot 4)	141,487.61		117.56		141,605.17	Note 3
Cert. of Participation 2002 Series A Const. Fund	285,969.90		2,990.70	0.04	288,960.56	Note 4
Cert. of Participation 2002 Series A Reserve Fund	790,828.36	(105,163.19)	810.78	224.95	686,251.00	Note 4
Cert. Of Participation 2002 Series A Interest Fund	78.36	105,163.19	0.04		105,241.59	Note 4
Cert. Of Participation 2002 Series A COI Fund	0.00		0.00	0.00	0.00	Note 4
Total Restricted Funds:	<u>\$1,738,046.21</u>	<u>\$0.00</u>	<u>\$5,210.27</u>	<u>\$224.99</u>	<u>\$1,743,031.49</u>	

These accounts are not part of the Treasurer's fund balances reported elsewhere in this report, as they are for separate and distinct entities.

Note 1: This account include redemption accounts set up for the repayment of interest and principal on outstanding bond coupons for Parking Assessment District '3', as well as Reserve Funds set up as required by the original Bond resolution.

Note 2: The reserve fund was a requirement of the original certificates of participation agreement when Lot 4 was built. It helps to guarantee payment of the lease payments should the Town not make payment.

Note 3: The lease payment fund receives the lease payments from the Town monthly for the lease of Lot 4. It holds the funds until payments on the certificates of participation are due semi-annually.

Note 4: The three funds for the Certificates of Participation 2002 Series A consist of construction funds which will be expended over the next few years, reserve funds which will guarantee the payment of lease payments, and a third fund for the disbursement of lease payments and initial delivery costs.

Town of Los Gatos
Statement of Interest Earned
April 30, 2008

	<u>Current</u> <u>Month</u>	<u>Fiscal</u> <u>Year to Date</u>
Interest received from Investments	\$360,019.14	\$2,704,376.14
Add: Interest accrued at end of period (see page 5)	528,269.36	528,269.36
Less: Interest accrued at beginning of period	(661,744.33)	(638,512.99)
Interest earned on investments	<u>\$226,544.17</u>	<u>\$2,594,132.51</u>

Interest by Month

July 2007	287,856.35
August 2007	285,325.36
September 2007	261,616.22
October 2007	271,223.77
November 2007	234,832.62
December 2007	252,611.44
January 2008	281,416.49
February 2008	236,513.04
March 2008	256,193.05
April 2008	226,544.17
	<u>2,594,132.51</u>

Town of Los Gatos
Inactive Deposits by Institution
Market to Cost Position Report
April 30, 2008

<u>Institution</u>	<u>Security</u>	<u>Deposit Date</u>	<u>Amortized Cost</u>	<u>Maturity Date</u>	<u>Days Elapsed</u>	<u>Days to Maturity</u>	<u>Days Invested</u>	<u>Yield to Maturity</u>	<u>Interest Earned</u>	<u>Interest Received</u>	<u>Interest Accrued</u>
USTreasury	Note	06/15/06	1,990,312.50	05/31/08	685	31	716	5.135%	191,804.78	142,254.10	49,550.68
USTreasury	Note	07/19/06	738,281.25	02/15/09	651	291	942	5.157%	67,905.84	53,142.27	14,763.57
FHLB	Coupon Note	05/12/06	1,498,035.00	03/13/09	719	317	1036	5.298%	156,339.94	144,593.75	11,746.19
USTreasury	Note	05/15/06	1,992,343.75	05/15/09	716	380	1096	5.014%	195,960.60	146,250.00	49,710.60
FHLB	Coupon Note	06/15/06	1,493,400.00	06/12/09	685	408	1093	5.226%	146,468.17	117,468.75	28,999.42
FFCB	Coupon Note	07/19/06	723,562.50	07/17/09	651	443	1094	5.408%	69,791.23	46,234.37	23,556.86
FFCB	Coupon Note	04/02/08	2,010,820.00	08/04/09	28	461	489	2.286%	3,526.26		3,526.26
USTreasury	Note	03/25/08	1,024,062.50	09/15/09	36	503	539	1.709%	1,726.15		1,726.15
USTreasury	Note	11/17/06	748,066.41	11/15/09	530	564	1094	4.734%	51,422.29	34,495.86	16,926.43
ML Corp	Note	04/10/07	976,150.00	02/08/10	386	649	1035	5.165%	53,318.92	35,180.56	18,138.36
USTreasury	Note	10/19/06	976,406.25	04/15/10	559	715	1274	4.744%	70,940.49	59,560.44	11,380.05
FHLB	Coupon Note	08/22/06	1,507,665.00	06/11/10	617	772	1389	4.957%	126,332.79	96,375.00	29,957.79
FHLB	Coupon Note	01/12/07	1,487,205.00	08/10/10	474	832	1306	4.960%	95,793.93	75,983.33	19,810.60
USTreasury	Note	05/31/07	737,226.56	10/15/10	335	898	1233	4.801%	32,485.13	27,868.85	4,616.28
FFCB	Coupon Note	12/07/07	2,032,140.00	11/01/10	145	915	1060	3.715%	29,990.77		29,990.77
FHLMC	Coupon Note	04/24/08	1,008,560.00	12/24/10	6	968	974	4.007%	664.32		664.32
FFCB	Coupon Note	01/18/07	756,922.50	01/18/11	468	993	1461	3.175%	30,814.00		30,814.00
FFCB	Coupon Note	11/28/07	2,062,000.00	02/18/11	154	1024	1178	3.840%	33,407.79	21,666.67	11,741.12
FNMA	Discount Note	09/29/06	1,516,485.00	04/15/11	579	1080	1659	4.874%	117,249.05	118,729.17	(1,480.12)
FHLMC	Coupon Note	12/28/06	1,522,350.00	07/20/11	489	1176	1665	5.375%	109,624.84	91,520.83	18,104.01
USTreasury	Note	10/19/06	990,078.13	09/30/11	559	1248	1807	4.721%	71,585.06	65,151.10	6,433.96
FFCB	Coupon Note	12/12/07	2,025,080.00	11/21/11	140	1300	1440	4.000%	31,069.72		31,069.72
FFCB	Coupon Note	02/22/07	986,080.00	12/08/11	433	1317	1750	4.959%	58,009.79	36,743.06	21,266.73
FHLB	Coupon Note	05/09/07	1,509,255.00	03/09/12	357	1409	1766	4.743%	70,015.00	62,500.00	7,515.00
FHLB	Coupon Note	11/29/07	2,038,360.00	08/15/12	153	1568	1721	4.170%	35,629.97	19,527.78	16,102.19
GE	Corporate Note	01/16/08	1,542,165.00	10/19/12	105	1633	1738	4.587%	20,349.61	20,343.75	5.86
FNMA	Coupon Note	02/21/08	1,260,300.00	01/02/13	69	1708	1777	4.562%	10,868.90		10,868.90
FHLB	Coupon Note	06/26/03	661,764.30	05/13/08	1770	13	1783	2.507%	80,452.23	150,938.61	(70,486.38)
FHLMC MTN	Coupon Note	06/30/03	228,298.00	06/13/08	1766	44	1810	2.894%	31,966.75	28,163.82	3,802.93
FHLMC	Coupon Note	06/24/03	500,000.00	06/18/08	1772	49	1821	2.750%	66,753.42	61,875.00	4,878.42
FNMA	Coupon Note	09/30/04	198,597.00	08/15/08	1308	107	1415	3.442%	24,496.18	21,937.50	2,558.68
FNMA	Coupon Note	11/16/04	199,216.00	09/15/08	1261	138	1399	3.866%	26,607.76	24,979.17	1,628.59
FNMA	Coupon Note	01/19/05	248,157.50	09/15/08	1197	138	1335	3.974%	32,341.23	29,583.33	2,757.90
FNMA	Coupon Note	11/16/04	199,552.00	11/17/08	1261	201	1462	3.936%	27,135.22	23,271.53	3,863.69
FHLMC	Coupon Note	07/07/05	296,403.00	01/12/09	1028	257	1285	4.313%	36,004.96	29,869.79	6,135.17
FNMA	Coupon Note	01/21/05	242,400.00	03/16/09	1195	320	1515	3.930%	31,188.91	24,631.08	6,557.83
FHLMC	Coupon Note	06/17/05	300,198.00	07/30/09	1048	456	1504	4.359%	37,571.89	34,380.21	3,191.68
FHLMC	Coupon Note	08/01/05	298,332.00	07/30/09	1003	456	1459	4.527%	37,112.35	32,776.04	4,336.31
FHLMC	Coupon Note	06/14/05	298,683.00	09/01/09	1051	489	1540	4.237%	36,440.04	33,584.37	2,855.67
FHLMC	Coupon Note	01/21/05	149,686.50	09/01/09	1195	489	1684	4.180%	20,484.91	19,250.00	1,234.91
FHLMC	Coupon Note	06/14/05	299,331.00	01/25/10	1051	635	1686	4.431%	38,191.20	34,307.29	3,883.91
Subtotal			41,273,930.65								
Union MM			327,011.83		30	30		1.96%	526.80		526.80
Purchased Interest			44,564.00								
LAIF	N/A	03/31/08	29,846,498.91	06/30/08	30	61	91	3.40%	83,037.55		83,037.55
						501		3.95%	\$2,493,406.74	\$1,965,137.38	\$528,269.36

Maturity Profile

	<u>Amount</u>	<u>Percent</u>
0-1 year	\$37,219,091.29	52.06%
1-2 years	\$11,291,041.91	15.79%
2-3 years	\$11,108,204.06	15.54%
3-5 years	<u>\$11,873,668.13</u>	<u>16.61%</u>
	<u>\$71,492,005.39</u>	<u>100.00%</u>

Market to Cost Position Report

<u>Institution</u>	<u>Amortized Cost</u>	<u>Market Value*</u>	<u>Unrealized Gain (Loss)</u>
Union Bank Assets	\$41,273,930.65	\$42,214,402.80	940,472.15
Union MM	327,011.83	327,011.83	0.00
Purchased Interest	44,564.00	44,564.00	0.00
LAIF	29,846,498.91	29,846,498.91	0.00
Totals:	<u>\$71,492,005.39</u>	<u>\$72,432,477.54</u>	<u>\$940,472.15</u>

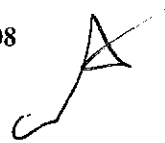
* Source: Treasury and Agency Obligations - Union Bank of California
LAIF balances per Local Agency Investment Fund monthly statement.

Meeting date: August 4, 2008

Item No:

**Town of Los Gatos
Treasurer's Report
for the month ended
May 31, 2008**

**Submitted July 24, 2008
by
Linda L. Speicher**

A handwritten signature in black ink, appearing to be 'L. Speicher', written over the printed name.

Distribution:

Town Clerk
Town Manager
Town Council

Town of Los Gatos
Summary Investment Information
May 31, 2008

Weighted Average Portfolio Yield: **3.81%** **Weighted Average Maturity (days)** **471**

	<u>This Month</u>	<u>Last Month</u>	<u>One year ago</u>
Portfolio Balance	\$76,698,570	\$76,520,381	\$72,676,515

Benchmarks/ References:

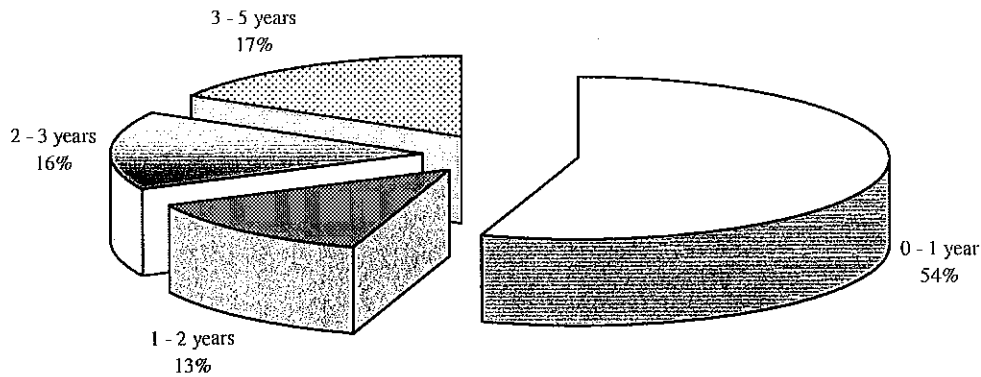
Town's Average Yield	3.81%	3.95%	4.83%
LAIF Yield for month	3.07%	3.40%	5.25%
3 mo. Treasury	1.91%	1.34%	4.92%
6 mo. Treasury	1.97%	1.72%	5.01%
2 yr. Treasury	2.64%	2.23%	4.89%
5 yr. Treasury (most recent)	3.52%	3.16%	4.82%
Prime rate	5.00%	5.00%	8.25%

Most recent auctions of

Freddie Mac or Fannie Mae Reference Notes:

3 yr. Fannie Mae (05/19/08)	3.39%
2 yr. Freddie Mac (05/23/08)	2.88%

Portfolio Maturity Profile



Compliance: The Town's investments are in compliance with the Town's investment policy dated May 1, 2008 and also in compliance with the requirements of Section 53601 of the California State Code. Based on the information available, the Town has sufficient funds to meet the cash demands for the next six months.

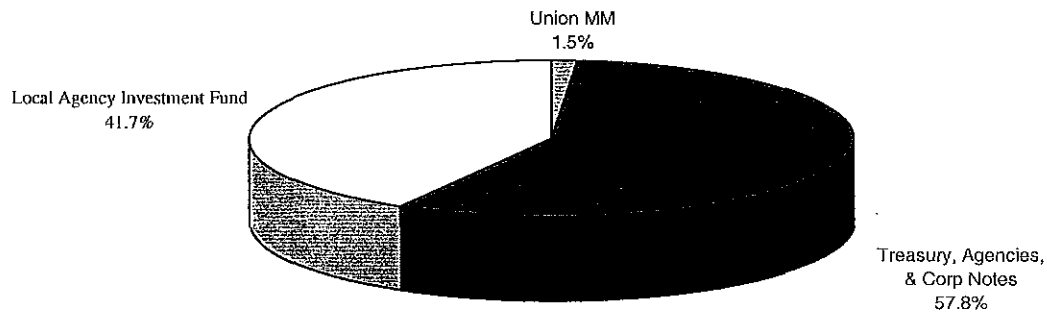
Town of Los Gatos
Portfolio Allocation & Treasurer's Fund Balances
May 31, 2008

	<u>Month</u>	<u>YTD</u>
Fund Balances - Beginning of Month/Period	\$76,520,380.92	\$73,499,683.31
Receipts	3,938,438.11	39,764,629.82
Disbursements	(3,760,248.66)	(36,565,742.76)
Fund Balances - End of Month/Period	<u>\$76,698,570.37</u>	<u>\$76,698,570.37</u>

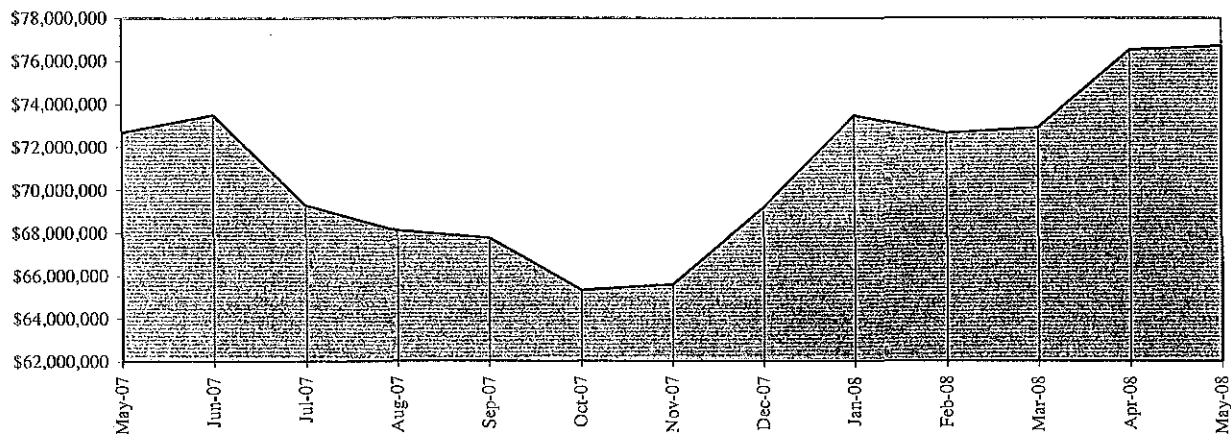
Portfolio Allocation:

Union MM	\$1,071,703.41
Treasuries, Agencies, & Corp. Notes	40,644,485.90
Local Agency Investment Fund	29,846,498.91
Subtotal - Investments	71,562,688.22
Reconciled Demand Deposit Balances	<u>5,135,882.15</u>
Total Treasurer's Fund	<u>\$76,698,570.37</u>

Portfolio Investment Allocation



Treasurer's Fund Balances



Town of Los Gatos
Non-Treasury Restricted Fund Balances
May 31, 2008

	<u>Previous Balance</u>	<u>Deposits</u>	<u>Interest</u>	<u>Withdrawals</u>	<u>Ending Balance</u>	
Non-Treasury Funds:						
Downtown Parking District 12/20/02	\$264,801.84		\$981.97		\$265,783.81	Note 1
Certificates of Participation Reserve Fund (Lot 4)	256,171.33		332.36		256,503.69	Note 2
Cert. of Participation Lease Payment Fund (Lot 4)	141,605.17	40,318.68	183.72		182,107.57	Note 3
Cert. of Participation 2002 Series A Const. Fund	288,960.56		0.61	0.04	288,961.13	Note 4
Cert. of Participation 2002 Series A Reserve Fund	686,251.00		918.39	237.38	686,932.01	Note 4
Cert. Of Participation 2002 Series A Interest Fund	105,241.59		10.89	3.18	105,249.30	Note 4
Cert. Of Participation 2002 Series A COI Fund	0.00		0.00	0.00	0.00	Note 4
Total Restricted Funds:	<u>\$1,743,031.49</u>	<u>\$40,318.68</u>	<u>\$2,427.94</u>	<u>\$240.60</u>	<u>\$1,785,537.51</u>	

These accounts are not part of the Treasurer's fund balances reported elsewhere in this report, as they are for separate and distinct entities.

Note 1: This account include redemption accounts set up for the repayment of interest and principal on outstanding bond coupons for Parking Assessment District '3', as well as Reserve Funds set up as required by the original Bond resolution.

Note 2: The reserve fund was a requirement of the original certificates of participation agreement when Lot 4 was built. It helps to guarantee payment of the lease payments should the Town not make payment.

Note 3: The lease payment fund receives the lease payments from the Town monthly for the lease of Lot 4. It holds the funds until payments on the certificates of participation are due semi-annually.

Note 4: The three funds for the Certificates of Participation 2002 Series A consist of construction funds which will be expended over the next few years, reserve funds which will guarantee the payment of lease payments, and a third fund for the disbursement of lease payments and initial delivery costs.

Town of Los Gatos
Statement of Interest Earned
May 31, 2008

	<u>Current</u> <u>Month</u>	<u>Fiscal</u> <u>Year to Date</u>
Interest received from Investments	\$71,204.18	\$2,775,580.32
Add: Interest accrued at end of period (see page 5)	685,311.35	685,311.35
Less: Interest accrued at beginning of period	(528,269.36)	(638,512.99)
Interest earned on investments	<u>\$228,246.17</u>	<u>\$2,822,378.68</u>

Interest by Month

July 2007	287,856.35
August 2007	285,325.36
September 2007	261,616.22
October 2007	271,223.77
November 2007	234,832.62
December 2007	252,611.44
January 2008	281,416.49
February 2008	236,513.04
March 2008	256,193.05
April 2008	226,544.17
May 2008	228,246.17
	<u>2,822,378.68</u>

Town of Los Gatos
Inactive Deposits by Institution
Market to Cost Position Report
May 31, 2008

<u>Institution</u>	<u>Security</u>	<u>Deposit Date</u>	<u>Amortized Cost</u>	<u>Maturity Date</u>	<u>Days Elapsed</u>	<u>Days to Maturity</u>	<u>Days Invested</u>	<u>Yield to Maturity</u>	<u>Interest Earned</u>	<u>Interest Received</u>	<u>Interest Accrued</u>
USTreasury	Note	06/15/06	1,990,312.50	05/31/08	716	0	716	5.135%	200,485.00	142,254.10	58,230.90
USTreasury	Note	07/19/06	738,281.25	02/15/09	682	260	942	5.157%	71,139.45	53,142.27	17,997.18
FHLB	Coupon Note	05/12/06	1,498,035.00	03/13/09	750	286	1036	5.298%	163,080.60	144,593.75	18,486.85
USTreasury	Note	05/15/06	1,992,343.75	05/15/09	747	349	1096	5.014%	204,444.93	195,000.00	9,444.93
FHLB	Coupon Note	06/15/06	1,493,400.00	06/12/09	716	377	1093	5.226%	153,096.66	117,468.75	35,627.91
FFCB	Coupon Note	07/19/06	723,562.50	07/17/09	682	412	1094	5.408%	73,114.62	46,234.37	26,880.25
FFCB	Coupon Note	04/02/08	2,010,820.00	08/04/09	59	430	489	2.286%	7,430.34		7,430.34
USTreasury	Note	03/25/08	1,024,062.50	09/15/09	67	472	539	1.709%	3,212.55		3,212.55
USTreasury	Note	11/17/06	748,066.41	11/15/09	561	533	1094	4.734%	54,430.01	51,839.61	2,590.40
ML Corp	Corporate Note	04/10/07	976,150.00	02/08/10	417	618	1035	5.165%	57,601.01	35,180.56	22,420.45
USTreasury	Note	10/19/06	976,406.25	04/15/10	590	684	1274	4.744%	74,874.58	59,560.44	15,314.14
FHLB	Coupon Note	08/22/06	1,507,665.00	06/11/10	648	741	1389	4.957%	132,680.14	96,375.00	36,305.14
FHLB	Coupon Note	01/12/07	1,487,205.00	08/10/10	505	801	1306	4.960%	102,058.93	75,983.33	26,075.60
USTreasury	Note	05/31/07	737,226.56	10/15/10	366	867	1233	4.801%	35,491.22	27,868.85	7,622.37
FFCB	Coupon Note	12/07/07	2,032,140.00	11/08/10	176	891	1067	3.715%	36,402.59	36,072.22	330.37
FHLMC	Coupon Note	04/24/08	1,008,560.00	12/24/10	37	937	974	4.007%	4,096.66		4,096.66
FFCB	Coupon Note	01/18/07	756,922.50	01/18/11	499	962	1461	3.175%	32,855.10		32,855.10
FFCB	Coupon Note	11/28/07	2,062,000.00	02/18/11	185	993	1178	3.840%	40,132.73	21,666.67	18,466.06
FNMA	Discount Note	09/29/06	1,516,485.00	04/15/11	610	1049	1659	4.874%	123,526.64	118,729.17	4,797.47
FHLMC	Coupon Note	12/28/06	1,522,350.00	07/20/11	520	1145	1665	5.375%	116,574.47	91,520.83	25,053.64
USTreasury	Note	10/19/06	990,078.13	09/30/11	590	1217	1807	4.721%	75,554.90	65,151.10	10,403.80
FFCB	Coupon Note	12/12/07	2,025,080.00	11/21/11	171	1269	1440	4.000%	37,949.44	38,183.33	(233.89)
FFCB	Coupon Note	02/22/07	986,080.00	12/08/11	464	1286	1750	4.959%	62,162.92	36,743.06	25,419.86
FHLB	Coupon Note	05/09/07	1,509,255.00	03/09/12	388	1378	1766	4.743%	76,094.74	62,500.00	13,594.74
FHLB	Coupon Note	11/29/07	2,038,360.00	08/15/12	184	1537	1721	4.170%	42,849.12	19,527.78	23,321.34
GE	Corporate Note	01/16/08	1,542,165.00	10/19/12	136	1602	1738	4.587%	26,357.59	20,343.75	6,013.84
FNMA	Coupon Note	02/21/08	1,260,300.00	01/02/13	100	1677	1777	4.562%	15,752.02		15,752.02
FHLMC MTN	Coupon Note	06/30/03	228,298.00	06/13/08	1797	13	1810	2.894%	32,527.89	28,163.82	4,364.07
FHLMC	Coupon Note	06/24/03	500,000.00	06/18/08	1803	18	1821	2.750%	67,921.23	61,875.00	6,046.23
FNMA	Coupon Note	09/30/04	198,597.00	08/15/08	1339	76	1415	3.442%	25,076.75	21,937.50	3,139.25
FNMA	Coupon Note	11/16/04	199,216.00	09/15/08	1292	107	1399	3.866%	27,261.87	24,979.17	2,282.70
FNMA	Coupon Note	01/19/05	248,157.50	09/15/08	1228	107	1335	3.974%	33,178.81	29,583.33	3,595.48
FNMA	Coupon Note	11/16/04	199,552.00	11/17/08	1292	170	1462	3.936%	27,802.31	27,146.53	655.78
FHLMC	Coupon Note	07/07/05	296,403.00	01/12/09	1059	226	1285	4.313%	37,090.71	29,869.79	7,220.92
FNMA	Coupon Note	01/21/05	242,400.00	03/16/09	1226	289	1515	3.930%	31,998.00	24,631.08	7,366.92
FHLMC	Coupon Note	06/17/05	300,198.00	07/30/09	1079	425	1504	4.359%	38,683.28	34,380.21	4,303.07
FHLMC	Coupon Note	08/01/05	298,332.00	07/30/09	1034	425	1459	4.527%	38,259.39	32,776.04	5,483.35
FHLMC	Coupon Note	06/14/05	298,683.00	09/01/09	1082	458	1540	4.237%	37,514.86	33,584.37	3,930.49
FHLMC	Coupon Note	01/21/05	149,686.50	09/01/09	1226	458	1684	4.180%	21,016.31	19,250.00	1,766.31
FHLMC	Coupon Note	06/14/05	299,331.00	01/25/10	1082	604	1686	4.431%	39,317.68	34,307.29	5,010.39
Subtotal			40,612,166.35								
Union MM			1,071,703.41		30	30		1.96%	1,726.47		1,726.47
Purchased Interest			32,319.55								
LAIF	N/A	03/31/08	29,846,498.91	06/30/08	61	30	91	3.07%	160,909.93		160,909.93
			\$71,562,688.22			471		3.81%	\$2,643,734.42	\$1,958,423.07	\$685,311.35

Maturity Profile

	<u>Amount</u>	<u>Percent</u>
0-1 year	\$39,282,117.87	54.89%
1-2 years	\$9,298,698.16	12.99%
2-3 years	\$11,108,204.06	15.52%
3-5 years	\$11,873,668.13	16.59%
	\$71,562,688.22	100.00%

Market to Cost Position Report

<u>Institution</u>	<u>Amortized Cost</u>	<u>Market Value*</u>	<u>Unrealized Gain (Loss)</u>
Union Bank Assets	\$40,612,166.35	\$41,288,811.00	676,644.65
Union MM	1,071,703.41	1,071,703.41	0.00
Purchased Interest	32,319.55	32,319.55	0.00
LAIF	29,846,498.91	29,846,498.91	0.00
Totals:	\$71,562,688.22	\$72,239,332.87	\$676,644.65

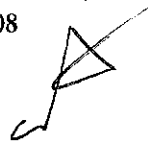
* Source: Treasury and Agency Obligations - Union Bank of California
LAIF balances per Local Agency Investment Fund monthly statement.

Meeting date: August 4, 2008

Item No:

**Town of Los Gatos
Treasurer's Report
for the month ended
June 30, 2008**

**Submitted July 24, 2008
by
Linda L. Speicher**

A handwritten signature in black ink, appearing to be 'L. Speicher', written over a faint, stylized triangular graphic.

Distribution:

Town Clerk
Town Manager
Town Council

Town of Los Gatos
Summary Investment Information
June 30, 2008

Weighted Average Portfolio Yield: **3.65%** **Weighted Average Maturity (days)** **497**

	<u>This Month</u>	<u>Last Month</u>	<u>One year ago</u>
Portfolio Balance	\$76,714,634	\$76,698,570	\$73,499,683

Benchmarks/ References:

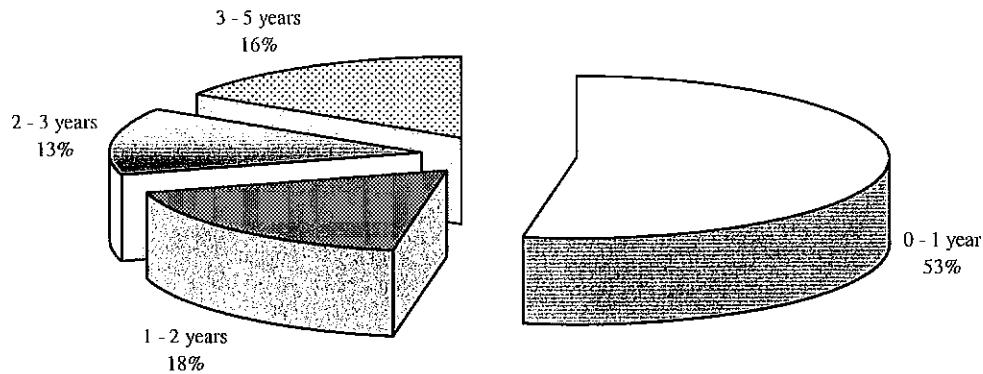
Town's Average Yield	3.65%	3.81%	4.83%
LAIF Yield for month	2.89%	3.07%	5.25%
3 mo. Treasury	1.94%	1.91%	4.82%
6 mo. Treasury	2.19%	1.97%	5.01%
2 yr. Treasury	2.92%	2.64%	4.91%
5 yr. Treasury (most recent)	3.44%	3.52%	4.94%
Prime rate	5.00%	5.00%	8.25%

Most recent auctions of

Freddie Mac or Fannie Mae Reference Notes:

3 yr. Freddie Mac (06/13/08)	3.88%
2 yr. Fannie Mac (07/11/08)	3.27%

Portfolio Maturity Profile



Compliance: The Town's investments are in compliance with the Town's investment policy dated May 1, 2008 and also in compliance with the requirements of Section 53601 of the California State Code. Based on the information available, the Town has sufficient funds to meet the cash demands for the next six months.

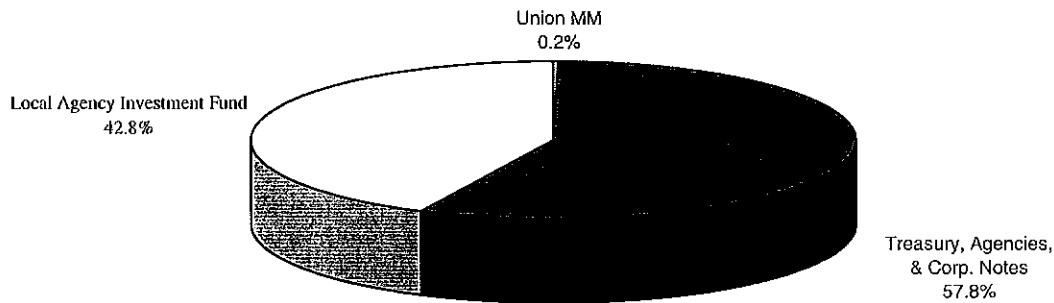
Town of Los Gatos
Portfolio Allocation & Treasurer's Fund Balances
June 30, 2008

	<u>Month</u>	<u>YTD</u>
Fund Balances - Beginning of Month/Period	\$76,698,570.37	\$73,499,683.31
Receipts	2,709,758.06	42,474,387.88
Disbursements	(2,693,694.40)	(39,259,437.16)
Fund Balances - End of Month/Period	<u>\$76,714,634.03</u>	<u>\$76,714,634.03</u>

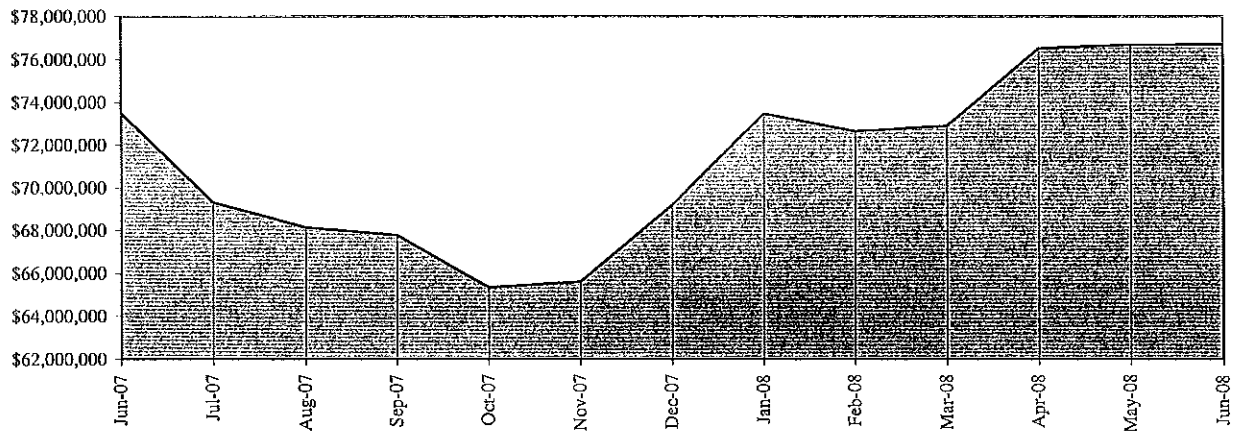
Portfolio Allocation:

Union MM	\$168,435.82
US Govt Agencies	41,731,905.97
Local Agency Investment Fund	<u>31,346,498.91</u>
Subtotal - Investments	73,246,840.70
Reconciled Demand Deposit Balances	<u>3,467,793.33</u>
Total Treasurer's Fund	<u>\$76,714,634.03</u>

Portfolio Investment Allocation



Treasurer's Fund Balances



Town of Los Gatos
Non-Treasury Restricted Fund Balances
June 30, 2008

	<u>Previous Balance</u>	<u>Deposits</u>	<u>Interest</u>	<u>Withdrawals</u>	<u>Ending Balance</u>	
Non-Treasury Funds:						
Downtown Parking District 12/20/02	\$265,783.81		\$1,018.47		\$266,802.28	Note 1
Certificates of Participation Reserve Fund (Lot 4)	256,503.69		329.78		256,833.47	Note 2
Cert. of Participation Lease Payment Fund (Lot 4)	182,107.57		210.29		182,317.86	Note 3
Cert. of Participation 2002 Series A Const. Fund	288,961.13		0.61	26,043.44	262,918.30	Note 4
Cert. of Participation 2002 Series A Reserve Fund	686,932.01		792.52	215.79	687,508.74	Note 4
Cert. Of Participation 2002 Series A Interest Fund	105,249.30		121.39	32.95	105,337.74	Note 4
Cert. Of Participation 2002 Series A COI Fund	0.00		0.00	0.00	0.00	Note 4
Total Restricted Funds:	<u>\$1,785,537.51</u>	<u>\$0.00</u>	<u>\$2,473.06</u>	<u>\$26,292.18</u>	<u>\$1,761,718.39</u>	

These accounts are not part of the Treasurer's fund balances reported elsewhere in this report, as they are for separate and distinct entities.

Note 1: This account include redemption accounts set up for the repayment of interest and principal on outstanding bond coupons for Parking Assessment District '3', as well as Reserve Funds set up as required by the original Bond resolution.

Note 2: The reserve fund was a requirement of the original certificates of participation agreement when Lot 4 was built. It helps to guarantee payment of the lease payments should the Town not make payment.

Note 3: The lease payment fund receives the lease payments from the Town monthly for the lease of Lot 4. It holds the funds until payments on the certificates of participation are due semi-annually.

Note 4: The three funds for the Certificates of Participation 2002 Series A consist of construction funds which will be expended over the next few years, reserve funds which will guarantee the payment of lease payments, and a third fund for the disbursement of lease payments and initial delivery costs.

Town of Los Gatos
Statement of Interest Earned
June 30, 2008

	<u>Current Month</u>	<u>Fiscal Year to Date</u>
Interest received from Investments	\$184,467.75	\$2,960,048.07
Add: Interest accrued at end of period (see page 5)	715,999.95	715,999.95
Less: Interest accrued at beginning of period	(685,311.35)	(638,512.99)
Interest earned on investments	<u>\$215,156.35</u>	<u>\$3,037,535.03</u>

Interest by Month

July 2007	287,856.35
August 2007	285,325.36
September 2007	261,616.22
October 2007	271,223.77
November 2007	234,832.62
December 2007	252,611.44
January 2008	281,416.49
February 2008	236,513.04
March 2008	256,193.05
April 2008	226,544.17
May 2008	228,246.17
June 2008	<u>215,156.35</u>
	<u>3,037,535.03</u>

Town of Los Gatos
Inactive Deposits by Institution
Market to Cost Position Report
June 30, 2008

Institution	Security	Deposit Date	Amortized Cost	Maturity Date	Days Elapsed	Days to Maturity	Days Invested	Yield to Maturity	Interest Earned	Interest Received	Interest Accrued
USTreasury	Note	07/19/06	738,281.25	02/15/09	712	230	942	5.157%	74,268.75	53,142.27	21,126.48
FHLB	Coupon Note	05/12/06	1,498,035.00	03/13/09	780	256	1036	5.298%	169,603.83	144,593.75	25,010.08
USTreasury	Note	05/15/06	1,992,343.75	05/15/09	777	319	1096	5.014%	212,655.57	195,000.00	17,655.57
FHLB	Coupon Note	06/15/06	1,493,400.00	06/12/09	746	347	1093	5.226%	159,511.32	156,843.75	2,667.57
FFCB	Coupon Note	07/19/06	723,562.50	07/17/09	712	382	1094	5.408%	76,330.81	46,234.37	30,096.44
USTreasury	Note	06/02/08	1,537,617.20	07/31/09	28	396	424	2.426%	2,861.57		2,861.57
FFCB	Coupon Note	04/02/08	2,010,820.00	08/04/09	89	400	489	2.286%	11,208.48		11,208.48
USTreasury	Note	03/25/08	1,024,062.50	09/15/09	97	442	539	1.709%	4,651.01		4,651.01
USTreasury	Note	11/17/06	748,066.41	11/15/09	591	503	1094	4.734%	57,340.70	51,839.61	5,501.09
USTreasury	Note	06/02/08	1,514,941.41	12/31/09	28	549	577	2.602%	3,023.91	3,750.00	(726.09)
ML Corp	Corporate Note	04/10/07	976,150.00	02/08/10	447	588	1035	5.165%	61,744.96	35,180.56	26,564.40
USTreasury	Note	06/24/08	739,921.88	02/28/10	6	608	614	2.819%	342.88		342.88
USTreasury	Note	10/19/06	976,406.25	04/15/10	620	654	1274	4.744%	78,681.76	59,560.44	19,121.32
FHLB	Coupon Note	08/22/06	1,507,665.00	06/11/10	678	711	1389	4.957%	138,822.74	135,750.00	3,072.74
FHLB	Coupon Note	01/12/07	1,487,205.00	08/10/10	535	771	1306	4.960%	108,121.84	75,983.33	32,138.51
USTreasury	Note	05/31/07	737,226.56	10/15/10	396	837	1233	4.801%	38,400.33	27,868.85	10,531.48
FFCB	Coupon Note	12/07/07	2,032,140.00	11/08/10	206	861	1067	3.715%	42,607.57	36,072.22	6,535.35
FHLMC	Coupon Note	04/24/08	1,008,560.00	12/24/10	67	907	974	4.007%	7,418.28	7,129.17	289.11
FFCB	Coupon Note	01/18/07	756,922.50	01/18/11	529	932	1461	3.175%	34,830.36		34,830.36
FFCB	Coupon Note	11/28/07	2,062,000.00	02/18/11	215	963	1178	3.840%	46,640.75	21,666.67	24,974.08
FNMA	Discount Note	09/29/06	1,516,485.00	04/15/11	640	1019	1659	4.874%	129,601.72	118,729.17	10,872.55
FHLMC	Coupon Note	12/28/06	1,522,350.00	07/20/11	550	1115	1665	5.375%	123,299.92	91,520.83	31,779.09
USTreasury	Note	10/19/06	990,078.13	09/30/11	620	1187	1807	4.721%	79,396.67	65,151.10	14,245.57
FFCB	Coupon Note	12/12/07	2,025,080.00	11/21/11	201	1239	1440	4.000%	44,607.24	38,183.33	6,423.91
FFCB	Coupon Note	02/22/07	986,080.00	12/08/11	494	1256	1750	4.959%	66,182.07	59,868.06	6,314.01
FHLB	Coupon Note	05/09/07	1,509,255.00	03/09/12	418	1348	1766	4.743%	81,978.35	62,500.00	19,478.35
FHLB	Coupon Note	11/29/07	2,038,360.00	08/15/12	214	1507	1721	4.170%	49,835.39	19,527.78	30,307.61
GE	Corporate Note	01/16/08	1,542,165.00	10/19/12	166	1572	1738	4.587%	32,171.76	20,343.75	11,828.01
FNMA	Coupon Note	02/21/08	1,260,300.00	01/02/13	130	1647	1777	4.562%	20,477.63		20,477.63
FNMA	Coupon Note	09/30/04	198,597.00	08/15/08	1369	46	1415	3.442%	25,638.59	21,937.50	3,701.09
FNMA	Coupon Note	11/16/04	199,216.00	09/15/08	1322	77	1399	3.866%	27,894.89	24,979.17	2,915.72
FNMA	Coupon Note	01/19/05	248,157.50	09/15/08	1258	77	1335	3.974%	33,989.36	29,583.33	4,406.03
FNMA	Coupon Note	11/16/04	199,552.00	11/17/08	1322	140	1462	3.936%	28,447.87	27,146.53	1,301.34
FHLMC	Coupon Note	07/07/05	296,403.00	01/12/09	1089	196	1285	4.313%	38,141.44	29,869.79	8,271.65
FNMA	Coupon Note	01/21/05	242,400.00	03/16/09	1256	259	1515	3.930%	32,780.98	24,631.08	8,149.90
FHLMC	Coupon Note	06/17/05	300,198.00	07/30/09	1109	395	1504	4.359%	39,758.81	34,380.21	5,378.60
FHLMC	Coupon Note	08/01/05	298,332.00	07/30/09	1064	395	1459	4.527%	39,369.43	32,776.04	6,593.39
FHLMC	Coupon Note	06/14/05	298,683.00	09/01/09	1112	428	1540	4.237%	38,555.02	33,584.37	4,970.65
FHLMC	Coupon Note	01/21/05	149,686.50	09/01/09	1256	428	1684	4.180%	21,530.58	19,250.00	2,280.58
FHLMC	Coupon Note	06/14/05	299,331.00	01/25/10	1112	574	1686	4.431%	40,407.82	34,307.29	6,100.53
Subtotal			41,686,036.34								
Union MM			168,435.82		30	30		1.94%	268.57		268.57
Purchased Interest			45,869.63								
LAIF	N/A	06/30/08	31,346,498.91	09/30/08	0	92	92	2.89%	231,482.77		231,482.77
						497		3.65%	\$2,554,884.27	\$1,838,884.32	\$715,999.95

Maturity Profile

	<u>Amount</u>	<u>Percent</u>
0-1 year	\$38,667,189.86	52.79%
1-2 years	\$13,105,443.65	17.89%
2-3 years	\$9,600,539.06	13.11%
3-5 years	<u>\$11,873,668.13</u>	<u>16.21%</u>
	<u>\$73,246,840.70</u>	<u>100.00%</u>

Market to Cost Position Report

<u>Institution</u>	<u>Amortized Cost</u>	<u>Market Value*</u>	<u>Unrealized Gain (Loss)</u>
Union Bank Assets	\$41,686,036.34	\$42,297,489.50	611,453.16
Union MM	168,435.82	168,435.82	0.00
Purchased Interest	45,869.63	45,869.63	0.00
LAIF	31,346,498.91	31,346,498.91	0.00
Totals:	<u>\$73,246,840.70</u>	<u>\$73,858,293.86</u>	<u>\$611,453.16</u>

* Source: Treasury and Agency Obligations - Union Bank of California
LAIF balances per Local Agency Investment Fund monthly statement.